

## Message Text

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ACTION EUR-12

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C O N F I D E N T I A L PRAGUE 3548

USIA FOR IEU

E.O. 11652: GDS  
TAGS: ECON, CZ  
SUBJECT: FORMER TRADE UNIONIST'S VIEWS ON CZECHOSLOVAK ECONOMY  
TODAY

1. SUMMERY: IMPORTS OF WESTERN MACHINERY ARE DOWN, DESPITE  
THE INCREASED DOLLAR FIGURE FOR THEM IN THE CURRENT FIVE  
YEAR PLAN. THE GOC REPORTEDLY IS EXPLORING TRADE PROSPECTS  
WITH THE PEOPLES REPUBLIC OF CHINA. DIFFERENCES OF  
ECONOMIC POLICY WERE A SIGNIFICANT ISSUE AT THE RECENT  
BUCHAREST MEETING OF COMECON LEADERS, AND LOCAL TRADE  
UNIONISTS ARE NOT HAPPY WITH THEIR LOT. END SUMMARY.

2. DURING A RECENT SUNDAY COUNTRY LUNCH AT THE COTTAGE  
OF A FORMER HIGH TRADE UNION OFFICIAL, THAT PERSON, NOW A  
PART-TIME JOURNALIST/ECONOMIC RESEARCHER, TOLD THE PAO:

3. ALTHOUGH THE DOLLAR FIGURE FOR IMPORTS OF WESTERN  
MACHINERY IS UP FOR THIS YEAR IN THE FIVE YEAR PLAN, THE  
ACTUAL NUMBER OF IMPORTED MACHINES HAS DECREASED BY 840  
IN THE SAME PERIOD, OWING TO INFLATION AND INCREASED  
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COSTS. (THE JOURNALIST HAD RECENTLY BEEN GRANTED AN  
INTERVIEW BY THE HEAD OF THE STATE PLANNING COMMISSION,  
VACLAV HULA).

4. CZECHOSLOVAKIA IS CONDUCTING TALKS WITH THE PEOPLE'S  
REPUBLIC OF CHINA THAT MAY LEAD TO AN EXCHANGE OF MACHINE

TOOLS OR OTHER HEAVY INDUSTRIAL ITEMS FROM CZECHOSLOVAKIA, FOR FOOD, PORK IN PARTICULAR. ONLY A BRIEF NOTICE OF THE TALKS APPEARED IN THE LOCAL PRESS, AND INFORMATION ABOUT THEM IS HARD TO COME BY. (SEVERAL YEARS AGO THE GOC WAS INVOLVED IN A SIMILAR EXCHANGE WITH CHINA, WHICH RESULTED IN QUANTITIES OF DUCKS BEING IMPORTED FROM CHINA FOR LOCAL CONSUMPTION. THE DUCKS WERE THIN. CZECHS JOKINGLY SAID THEY HAD LITTLE MEAT BECAUSE THEY WALKED ALL THE WAY FROM CHINA.)

5. BERLIN AND BUCHAREST PARTY AND LEADERSHIP MEETINGS -- BOTH MEETINGS PRESENTED REAL DIFFICULTIES FOR THE SOVIET UNION. AT THE FIRST, THE GULF BETWEEN NATIONAL COMMUNISM AND PROLETARIAN INTERNATIONALISM; I.E., SOVIET CONTROL, WAS HEIGHTENED. AT THE RECENT BUCHAREST MEETING, THE SOURCE SAID, SHARP DIFFERENCES IN ECONOMIC POLICY BETWEEN THE COMECON MEMBERS WERE DISCUSSED. ONE EXAMPLE: THE HUNGARIANS EXPRESSED RESENTMENT THAT, IN THE MANUFACTURE OF VEHICLES FOR THE SOVIET UNION, THEY CANNOT PASS ON THEIR OWN HARD CURRENCY EXPENDITURES FOR WESTERN IMPORTED PARTS, SUCH AS CARBURETORS, TO THE SOVIETS. PRESENT PRACTICE CALLS FOR THE COMECON COUNTRIES TO MAKE NECESSARY PURCHASES OF EQUIPMENT FROM THE WEST IN HARD CURRENCY, AND DELIVER THE FINISHED PRODUCT TO MOSCOW WITH A BILL FOR RUBLES, OR TRANSFERABLE RUBLES AT BEST.

6. CZECHOSLOVAKS DISAGREE WITH RUSSIANS -- THE SOURCE SAID THAT CZECHOSLOVAKIA RAISED THIS SAME ISSUE OF PASSING ON HARD CURRENCY EXPENDITURES AT THE BERLIN EUROPEAN COMMUNIST PARTY CONFERENCE AND IT REPRESENTS THE FIRST TIME IN RECENT CONFIDENTIAL

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YEARS CZECHOSLOVAKS HAVE TAKEN ISSUE WITH RUSSIANS ON ANY SIGNIFICANT POLICY ISSUE. THE REASON REPORTEDLY IS THAT THE RUSSIANS ARE MILKING THE LOCAL ECONOMY AND THE CZECHOSLOVAKS REALIZE IT.

7. TRADE UNIONS TODAY -- DURING THE NOVOTNY ERA, TRADE UNIONS HAD MORE POWER THAN AT PRESENT, AND EVEN THEN ALL WORKER-RELATED LEGISLATION ORIGINATED WITH THE UNIONS. TODAY, IT IS WRITTEN AT THE MINISTRY OF JUSTICE, WHICH THE WORKERS FIND INSULTING, THE SOURCE SAID.

8. THE WORKERS ARE ALSO UNHAPPY THAT THE PARTY HAS APPOINTED AS THEIR PRESIDENT KAREL HOFFMANN, A FIGURE WHO HAS PREVIOUSLY NEVER HELD A FACTORY OR UNION JOB.

9. BOTH THE HIGH GOVERNMENT OFFICIALS AND THE WORKERS REALIZE THE CZECHOSLOVAK ECONOMY IS NOT WORKING, HAS UNREALISTIC EXPECTATIONS, MARKETING ESTIMATES, AND

MEANS OF PRODUCTION. THE REAL PROBLEM, HOWEVER, IS MOTIVATING THE CALCIFIED MIDDLE LAYER OF IDEOLOGUES WHO EFFECTIVELY CONTROL PLANNING MINISTRIES AND FACTORIES. THESE APPARATCHIKS OWE THEIR JOBS TO THE POST-68 SWEEP-OUTS, AND LACK THE TECHNICAL COMPETENCE AND CIVIC COURAGE NEEDED TO EFFECT CHANGE.

10. AS ONE EXAMPLE OF WORKER MALAISE, THE SOURCE SAID, DURING THE RECENTLY CONCLUDED ELECTIONS, THE PARTY WAS OBLIGED TO REPLACE UP TO 60 PERCENT OF ITS CANDIDATES FOR LOCAL OFFICE IN SOME WORKERS' DISTRICTS WHERE INITIAL CANDIDATES WERE UNPOPULAR AND WORKERS PREFERRED TO BE REPRESENTED BY THEIR OWN PEOPLE.

1. CZECHOSLOVAK ECONOMIC PLANNERS ARE COMING TO REALIZE, THE SOURCE BELIEVES, THAT THE ONLY WAY THIS COUNTRY'S ECONOMY CAN WORK VIS-A-VIS ITS COMECON NEIGHBORS IS TO ADOPT A PROFIT-AND-LOSS SYSTEM OF BUDGETING; OTHERWISE  
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IT WILL ALWAYS END UP WITH ANNUAL DEFECITS OF MONEY, PRODUCTS, AND COMMODITIES TO THE SOVIET UNION.

12. THE SOURCE, WHO ALSO WORKS IN A GOVERNMENT RESEARCH INSTITUTE, SAID THAT ALL ELECTRICITY, EXCEPT FOR THAT USED BY ELECTRIC TYPEWRITERS, IS CUT OFF FROM 11-12 A.M. DAILY, INCLUDING LIGHTS AND ELEVATORS. MOREOVER, THE INSTITUTE KITCHEN NOW WORKS IN TWO SHIFTS TO FEED BOTH ITS OWN EMPLOYEES AND PEOPLE FROM SMALLER NEARBY INSTITUTES WHOSE KITCHENS HAVE BEEN CLOSED AS AN ECONOMY-FUEL-SAVING MOVE. THE LOCAL ENERGY CONSERVATION MEASURES HAVE BEEN IN EFFECT FOR SEVERAL WEEKS, HE SAID.

13. COMMENT: MUCH OF THIS INFORMATION WAS GATHERED IN FRAGMENTS, OWING TO THE SOCIAL SETTING, AND AN EFFORT TO KEEP FROM APPEARING TO PROBE ON DELICATE ISSUES. IT REFLECTS SOME OF THE CURRENT ECONOMIC -- AND POLITICAL -- DIFFICULTIES FACING THE HUSAK REGIME AND SUGGESTS THAT THE GOC HAS SUBSTANTIAL RESERVATIONS ABOUT ITS ECONOMIC DEPENDENCE ON THE SOVIET UNION.  
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